

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATE CENTER, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-14
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Position	16-17
B Statement of Activities	18-21
Governmental Fund Financial Statements:	
C Balance Sheet	22-23
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	24
E Statement of Revenues, Expenditures and Changes in Fund Balances	25-26
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	27
Proprietary Fund Financial Statements:	
G Statement of Net Position	28
H Statement of Revenues, Expenses and Changes in Net Position	29-30
I Statement of Cash Flows	31-32
Notes to Financial Statements	33-47
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	50
Notes to Required Supplementary Information – Budgetary Reporting	51
Schedule of Funding Progress for the Retiree Health Plan	52
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	54
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	55
Capital Projects Accounts:	
3 Combining Balance Sheet	56
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	57
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	58
6 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	60-61
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	62-63
SCHEDULE OF FINDINGS	64-66

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Lisa Breja	President	2015
Wayne Larsen	Vice President	2013
Steve Smith	Board Member	2013
Tom Hemesath	Board Member	2013
Julie Randall	Board Member	2015
Gary Conkin	Board Member	2015
Jeff Lanning	Board Member	2015
<u>School Officials</u>		
Ned Sellers	Superintendent	2013
Stephanie Edler	District Secretary/Treasurer and Business Manager	2013
Rex Ryden	Attorney	Indefinite

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
West Marshall Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Marshall Community School District, State Center, Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 50 through 52 be represented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Marshall Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2013 on our consideration of West Marshall Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering West Marshall Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 29, 2013

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Marshall Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,179,571 in fiscal 2012 to \$8,222,143 in fiscal 2013, while General Fund expenditures increased from \$8,233,642 in fiscal 2012 to \$8,239,543 in fiscal 2013. The District's General Fund balance decreased from \$2,540,497 in fiscal 2012 to \$2,526,317 in fiscal 2013, a 0.5% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in state aid due to 2% allowable growth as well as an increase in certified enrollment and students open enrolling into our District. These increases in revenue were offset by a decrease in local property tax, resulting in a slight net increase in revenue.
- The small increase in General Fund expenditures was due mainly to offsetting salary and benefit package increases with careful cost management in other areas. The overall increase in expenditures was very slight.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of West Marshall Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Marshall Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Marshall Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

West Marshall Community School District Annual Financial Report

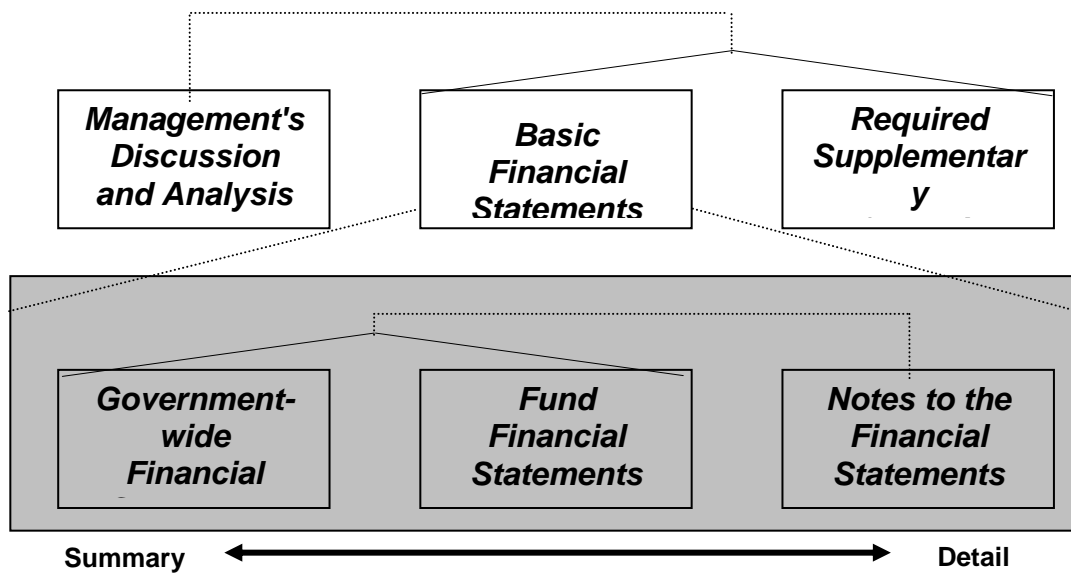


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's self-insurance fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2012 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2012	2013	2012	2013	2012	2013	2012-13
	\$	\$	\$	\$	\$	\$	
Current and other assets	8,167,375	8,309,685	159,827	139,325	8,327,202	8,449,010	1.5%
Capital assets	13,328,450	13,344,533	167,163	169,448	13,495,613	13,513,981	0.1%
Total assets	21,495,825	21,654,218	326,990	308,773	21,822,815	21,962,991	0.6%
Long-term liabilities	10,370,803	10,160,399	-	-	10,370,803	10,160,399	-2.0%
Other liabilities	3,618,264	3,785,997	14,869	15,917	3,633,133	3,801,914	4.6%
Total liabilities	13,989,067	13,946,396	14,869	15,917	14,003,936	13,962,313	-0.3%
Net Position:							
Invested in capital assets, net of related debt	3,168,450	3,549,533	167,163	169,448	3,335,613	3,718,981	11.5%
Restricted	1,626,178	1,522,339	-	-	1,626,178	1,522,339	-6.4%
Unrestricted-	2,712,130	2,635,950	144,958	123,408	2,857,088	2,759,358	-3.4%
TOTAL NET ASSETS	7,506,758	7,707,822	312,121	292,856	7,818,879	8,000,678	2.3%

The District's combined total net position increased by 2.3%, or approximately \$181,799, over the prior year.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$103,839 or 6% over the prior year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$97,730, or 3%.

Figure A-4 shows the change in net position for the years ended June 30, 2012 and 2013.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013
	Governmental Activities		Business-type Activities		Total School District		
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	825,403	911,223	293,443	266,033	1,118,846	1,177,256	5.2%
Operating grants & contributions	1,249,699	1,105,648	185,810	177,710	1,435,509	1,283,358	-10.6%
Capital grants & contributions	40,329	-	62,359	28,291	102,688	28,291	-72.4%
General Revenues:							
Property taxes	2,657,889	2,564,463	-	-	2,657,889	2,564,464	-3.5%
Income Surtax	353,268	364,539	-	-	353,268	364,539	3.2%
Statewide sales & services tax	647,989	741,620	-	-	647,989	741,620	14.4%
Unrestricted state and federal grants	3,596,617	3,784,375	-	-	3,596,617	3,784,375	5.2%
Unrestricted investment earnings	62,836	59,698	140	104	62,976	59,802	-5.0%
Other revenue	34,114	40,857	-	-	34,114	40,857	19.8%
Total Revenues	9,468,144	9,572,423	541,752	472,138	10,009,896	10,044,562	0.3%
Expenses:							
Instruction	5,093,828	5,175,925	59,126	64,260	5,152,954	5,240,185	1.7%
Support services	3,023,780	2,952,707	11,127	9,940	3,034,907	2,962,647	-2.4%
Non-instructional programs	-	-	412,611	417,203	412,611	417,203	1.1%
Other expenditures	1,379,454	1,242,727	-	-	1,379,454	1,242,727	-9.9%
Total expenses	9,497,062	9,371,359	482,864	491,403	9,979,926	9,862,762	-1.2%
Change in net position before Transfers	(28,918)	201,064	58,888	(19,265)	29,970	181,799	506.6%
Transfers	-	-	-	-	-	-	
CHANGE IN NET ASSETS	(28,918)	201,064	58,888	(19,265)	29,970	181,799	506.6%
Net position beginning of year, as restated	7,535,676	7,506,758	253,233	312,121	7,788,909	7,818,879	0.4%
Net position end of year	7,506,758	7,707,822	312,121	292,856	7,818,879	8,000,678	2.3%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 53% and 30%, respectively, of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,572,423, a slight increase over 2012. The increase was due to an increase in state funding, attributable to allowable growth as well as a small increase in enrollment. Expenses were \$9,371,359, down slightly from 2012. The decrease was due to controlling our discretionary spending in support services.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2012	2013	Change 2012-2013	2012	2013	Change 2012-2013
	\$	\$		\$	\$	
Instruction	5,093,828	5,175,925	1.6%	3,422,629	3,571,601	4.4%
Support Services	3,023,780	2,952,707	-2.4%	2,969,998	2,883,291	-2.9%
Non-instructional Programs	-	-	-	-	-	-
Other Expenses	1,379,454	1,242,727	-9.9%	989,004	899,596	-9.0%
TOTAL	9,497,062	9,371,359	-1.3%	7,381,631	7,354,488	-0.4%

- The cost financed by users of the District's programs was \$911,223. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- State and federal governments subsidized certain programs with grants and contributions totaling \$1,105,648.
- The net cost of governmental activities was financed primarily with \$3,670,622 in property and other local taxes and \$3,784,375 in unrestricted state and federal grants.

Business Type Activities

Revenues for business type activities were \$472,138 and expenses were \$491,403. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, the District increased meal prices. The increase ranged from \$0.10 for student meals to \$0.50 for adult meals.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Marshall Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,342,575, as compared to last year's ending fund balances of \$4,410,704.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,540,497 to \$2,526,317, or 0.6%. The district strives to keep expenditures close to our revenue. This year the District had some increased spending in building operations and maintenance to complete some upgrades in our buildings including new windows at the high school and a new phone system at the elementary school.
- The Capital Projects Fund balance increased from \$1,140,644 in 2012 to \$1,250,237 in 2013 due to using General Fund monies for the window replacements.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$237,919 at June 30, 2012, to \$222,944 at June 30, 2013, representing a decrease of approximately 6.3%. The District increased meal prices in 2013 and will increase them again in 2014. The decrease in net position is due to decreased participation in the school lunch program as well as increasing food costs.

Tuition for preschool remained unchanged in 2013. The preschool raises funds to help keep the tuition manageable.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Marshall Community School District did not amend its annual budget.

The District's receipts were \$179,874 more than budgeted receipts. The District's expenditures were less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013, the District had invested \$13.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 0.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$452,602.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
	\$	\$	\$	\$	\$	\$	
Land	125,000	125,000	-	-	125,000	125,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	12,739,635	12,765,036	-	-	12,739,635	12,765,036	0.2%
Improvements	311,332	283,490	-	-	311,332	283,490	(8.9)%
Equipment & Furniture	152,483	171,007	167,163	169,448	319,646	340,455	6.5%
TOTAL	13,328,450	13,344,533	167,163	169,448	13,495,613	13,513,981	0.1%

Long-Term Debt

At June 30, 2013, the District had \$10,160,399 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 2% from last year. (See Figure A-7) The decrease is due to the principal payments made on our outstanding General Obligation Bonds. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There were three employees that took advantage of the District's Early Retirement Policy at the end of the 2012-13, one teacher, one superintendent and one support staff member. The outstanding long-term obligation is largely due to the GO and revenue bonds sold in 2010 to fund the middle school construction project.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2012	2013	Change
			2012-2013
	\$	\$	
General Obligation Bonds	4,260,000	3,895,000	-8.6%
Revenue bonds	5,900,000	5,900,000	0%
Termination benefits	177,500	245,399	38.3%
Other postemployment benefits (OPEB)	33,303	120,000	260.3%
	10,370,803	10,160,399	-2.0%

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of few existing circumstances that could significantly affect its financial health in the future:

- The federal Health Care Reform is expected to increase health insurance costs, both directly and indirectly.
- The Education Reform set forth by the State of Iowa could result in increased salary and benefits costs for the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nicole Kooiker, Superintendent, West Marshall Community School District, 601 3rd St. NW, PO Box 670, State Center, IA 50247.

Basic Financial Statements

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,865,047	\$ 125,639	\$ 4,990,686
Receivables:			
Property tax:			
Current year	33,427	-	33,427
Succeeding year	2,724,588	-	2,724,588
Income surtax	339,240	-	339,240
Accrued interest	6,233	-	6,233
Due from other governments	305,009	-	305,009
Inventories	-	13,686	13,686
Bond issuance costs	36,141	-	36,141
Capital assets, net of accumulated depreciation (note 4)	13,344,533	169,448	13,513,981
Total assets	21,654,218	308,773	21,962,991
Liabilities			
Accounts payable	135,444	788	136,232
Salaries and benefits payable	698,640	7,547	706,187
Accrued interest payable	136,074	-	136,074
Deferred revenue:			
Succeeding year property tax	2,724,588	-	2,724,588
Other	-	7,582	7,582
Bond premium	91,251	-	91,251
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	72,835	-	72,835
Bonds payable	370,000	-	370,000
Portion due after one year:			
Early retirement	172,564	-	172,564
Bonds payable	9,425,000	-	9,425,000
Net OPEB liability	120,000	-	120,000
Total liabilities	13,946,396	15,917	13,962,313

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Net Position			
Net investment in capital assets	\$ 3,549,533	\$ 169,448	\$ 3,718,981
Restricted for:			
Categorical funding	72,280	-	72,280
Physical plant and equipment levy purposes	50,391	-	50,391
Student activities	132,581	-	132,581
Debt service	576,141	-	576,141
Capital projects	690,946	-	690,946
Unrestricted	2,635,950	123,408	2,759,358
Total net position	\$ <u>7,707,822</u>	\$ <u>292,856</u>	\$ <u>8,000,678</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,245,962	\$ 695,114	\$ 551,854	\$ -
Special instruction	895,534	74,085	128,589	-
Other instruction	1,034,429	140,566	14,116	-
	<u>5,175,925</u>	<u>909,765</u>	<u>694,559</u>	<u>-</u>
Support services:				
Student	278,416	-	354	-
Instructional staff	263,720	-	53,786	-
Administration	889,895	-	-	-
Operation and maintenance of plant	970,407	-	9,268	-
Transportation	550,269	1,458	4,550	-
	<u>2,952,707</u>	<u>1,458</u>	<u>67,958</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	117,445	-	-	-
Long-term debt interest and fiscal charges	403,958	-	-	-
AEA flowthrough	343,131	-	343,131	-
Depreciation (unallocated) *	378,193	-	-	-
	<u>1,242,727</u>	<u>-</u>	<u>343,131</u>	<u>-</u>
Total governmental activities	<u>9,371,359</u>	<u>911,223</u>	<u>1,105,648</u>	<u>-</u>
Business-Type Activities:				
Instruction:				
Preschool operations	<u>64,260</u>	<u>59,970</u>	<u>-</u>	<u>-</u>
Support services:				
Food service operations	<u>9,940</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,998,994)	\$ -	\$ (1,998,994)
(692,860)	-	(692,860)
(879,747)	-	(879,747)
<u>(3,571,601)</u>	<u>-</u>	<u>(3,571,601)</u>
(278,062)	-	(278,062)
(209,934)	-	(209,934)
(889,895)	-	(889,895)
(961,139)	-	(961,139)
(544,261)	-	(544,261)
<u>(2,883,291)</u>	<u>-</u>	<u>(2,883,291)</u>
(117,445)	-	(117,445)
(403,958)	-	(403,958)
-	-	-
(378,193)	-	(378,193)
<u>(899,596)</u>	<u>-</u>	<u>(899,596)</u>
<u>(7,354,488)</u>	<u>-</u>	<u>(7,354,488)</u>
-	(4,290)	(4,290)
-	(9,940)	(9,940)

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
		Services		
Non-instructional programs:				
Food service operations	\$ 417,203	\$ 206,063	\$ 177,710	\$ 28,291
Total business-type activities	491,403	266,033	177,710	28,291
Total	\$ 9,862,762	\$ 1,177,256	\$ 1,283,358	\$ 28,291

General revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ (5,139)	\$ (5,139)
-	(19,369)	(19,369)
(7,354,488)	(19,369)	(7,373,857)
\$ 2,291,437	\$ -	\$ 2,291,437
194,620	-	194,620
78,406	-	78,406
364,539	-	364,539
741,620	-	741,620
3,784,375	-	3,784,375
59,698	104	59,802
40,857	-	40,857
7,555,552	104	7,555,656
201,064	(19,265)	181,799
7,506,758	312,121	7,818,879
<u>\$ 7,707,822</u>	<u>\$ 292,856</u>	<u>\$ 8,000,678</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,203,547	\$ 1,054,169	\$ 561,895	\$ 4,819,611
Receivables:				
Property tax:				
Current year	27,707	1,004	4,716	33,427
Succeeding year	2,210,488	81,800	432,300	2,724,588
Income surtax	339,240	-	-	339,240
Accrued interest	6,043	-	190	6,233
Due from other governments	106,168	198,841	-	305,009
Total assets	<u>\$ 5,893,193</u>	<u>\$ 1,335,814</u>	<u>\$ 999,101</u>	<u>\$ 8,228,108</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 118,508	\$ 3,777	\$ 780	\$ 123,065
Salaries and benefits payable	698,640	-	-	698,640
Deferred revenue:				
Succeeding year property tax	2,210,488	81,800	432,300	2,724,588
Other	339,240	-	-	339,240
Total liabilities	<u>3,366,876</u>	<u>85,577</u>	<u>433,080</u>	<u>3,885,533</u>
Fund balances:				
Restricted for:				
Categorical funding (note 10)	72,280	-	-	72,280
Revenue bonds reserve fund	-	508,900	-	508,900
Debt service	-	-	203,315	203,315
Management levy purposes	-	-	230,125	230,125
Student activities	-	-	132,581	132,581
School infrastructure	-	690,946	-	690,946
Physical plant and equipment	-	50,391	-	50,391
Unassigned	<u>2,454,037</u>	<u>-</u>	<u>-</u>	<u>2,454,037</u>
Total fund balances	<u>2,526,317</u>	<u>1,250,237</u>	<u>566,021</u>	<u>4,342,575</u>
Total liabilities and fund balances	<u>\$ 5,893,193</u>	<u>\$ 1,335,814</u>	<u>\$ 999,101</u>	<u>\$ 8,228,108</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 4,342,575
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,344,533
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	339,240
An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.	33,057
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(136,074)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,215,509)</u>
Net position of governmental activities	<u>\$ 7,707,822</u>
See notes to financial statements.	

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,466,510	\$ 820,026	\$ 364,925	\$ 3,651,461
Tuition	726,391	-	-	726,391
Other	157,028	6,597	136,351	299,976
Intermediate sources	797	-	-	797
State sources	4,703,100	-	-	4,703,100
Federal sources	168,317	-	-	168,317
Total revenues	8,222,143	826,623	501,276	9,550,042
Expenditures:				
Current:				
Instruction	4,879,148	-	185,441	5,064,589
Support services:				
Student	278,335	-	81	278,416
Instructional staff	263,720	-	-	263,720
Administration	871,124	95	2,758	873,977
Operation and maintenance of plant	1,036,979	-	80,018	1,116,997
Transportation	567,106	-	7,638	574,744
	3,017,264	95	90,495	3,107,854
Other expenditures:				
Facilities acquisition	-	332,677	-	332,677
Long term debt:				
Principal	-	-	365,000	365,000
Interest and fiscal charges	-	-	408,140	408,140
AEA flowthrough	343,131	-	-	343,131
	343,131	332,677	773,140	1,448,948
Total expenditures	8,239,543	332,772	1,049,076	9,621,391
Excess (deficiency) of revenues over (under) expenditures	(17,400)	493,851	(547,800)	(71,349)

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 3,220	\$ -	\$ -	\$ 3,220
Interfund transfers in (note 3)	-	-	384,258	384,258
Interfund transfers out (note 3)	-	(384,258)	-	(384,258)
Total other financing sources (uses)	<u>3,220</u>	<u>(384,258)</u>	<u>384,258</u>	<u>3,220</u>
Net change in fund balances	(14,180)	109,593	(163,542)	(68,129)
Fund balances beginning of year	<u>2,540,497</u>	<u>1,140,644</u>	<u>729,563</u>	<u>4,410,704</u>
Fund balances end of year	<u>\$ 2,526,317</u>	<u>\$ 1,250,237</u>	<u>\$ 566,021</u>	<u>\$ 4,342,575</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (68,129)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 450,450	
Depreciation expense	<u>(434,367)</u>	16,083

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 19,161

An Internal Service Fund is used by the District's management to charge the costs of the partially self-funded health insurance program and employee flexible benefit program to the individual funds. The net expense of the Internal Service Fund is reported with governmental activities. 19,363

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 365,000

Interest on long-term debt and amortization of bond issuance costs and bond premiums in the Statement of Activities differs from the amount reported in the governmental funds because interest and related costs are recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues and other costs are amortized. 4,182

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(67,899)	
Compensated absences		
Net OPEB liability	<u>(86,697)</u>	<u>(154,596)</u>

Change in net position of governmental activities \$ 201,064

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Enterprise Funds			Governmental
	School	Nonmajor		Activities
	Nutrition	Enterprise	Total	Internal
		Fund		Service
				Fund
Assets				
Cash and cash equivalents	\$ 48,180	\$ 77,459	\$ 125,639	\$ 45,436
Inventories	13,686	-	13,686	-
Capital assets, net of accumulated depreciation (note 4)	169,448	-	169,448	-
Total assets	<u>231,314</u>	<u>77,459</u>	<u>308,773</u>	<u>45,436</u>
Liabilities				
Accounts payable	788	-	788	12,379
Salaries and benefits payable	-	7,547	7,547	-
Deferred revenue	7,582	-	7,582	-
Total liabilities	<u>8,370</u>	<u>7,547</u>	<u>15,917</u>	<u>12,379</u>
Net Position				
Invested in capital assets	169,448	-	169,448	-
Unrestricted	<u>53,496</u>	<u>69,912</u>	<u>123,408</u>	<u>33,057</u>
Total net position	<u>\$ 222,944</u>	<u>\$ 69,912</u>	<u>\$ 292,856</u>	<u>\$ 33,057</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 206,063	\$ 59,970	\$ 266,033	\$ 74,998
Operating expenses:				
Instruction:				
Salaries	-	46,486	46,486	-
Benefits	-	14,328	14,328	-
Services	-	532	532	-
Supplies	-	2,456	2,456	-
Other	-	458	458	-
	-	64,260	64,260	-
Support services:				
Purchased services	7,391	-	7,391	55,718
Supplies	2,549	-	2,549	-
	9,940	-	9,940	55,718
Non-instructional programs:				
Salaries	142,206	-	142,206	-
Benefits	28,776	-	28,776	-
Purchased services	3,893	-	3,893	-
Supplies	224,093	-	224,093	-
Depreciation	18,235	-	18,235	-
	417,203	-	417,203	-
Total operating expenses	427,143	64,260	491,403	55,718
Operating income (loss)	(221,080)	(4,290)	(225,370)	19,280

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Non-operating revenues:				
State sources	\$ 3,875	\$ -	\$ 3,875	\$ -
Federal sources	173,835	-	173,835	-
Interest income	104	-	104	83
Compensation for loss of capital assets	28,291	-	28,291	-
Total non-operating revenues	<u>206,105</u>	<u>-</u>	<u>206,105</u>	<u>83</u>
Change in net position	(14,975)	(4,290)	(19,265)	19,363
Net position beginning of year	<u>237,919</u>	<u>74,202</u>	<u>312,121</u>	<u>13,694</u>
Net position end of year	<u>\$ 222,944</u>	<u>\$ 69,912</u>	<u>\$ 292,856</u>	<u>\$ 33,057</u>

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 204,064	\$ -	\$ 204,064	\$ -
Cash received from miscellaneous operating activities	2,835	59,970	62,805	74,998
Cash payments to employees for services	(171,352)	(61,020)	(232,372)	-
Cash payments to suppliers for goods or services	(205,956)	(3,446)	(209,402)	(43,339)
Net cash provided by (used by) operating activities	(170,409)	(4,496)	(174,905)	31,659
Cash flows from non-capital financing activities:				
State grants received	3,875	-	3,875	-
Federal grants received	143,950	-	143,950	-
Net cash provided by non-capital financing activities	147,825	-	147,825	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(20,520)	-	(20,520)	-
Payments received for loss of capital assets	28,291	-	28,291	-
Net cash provided by capital and related activities	7,771	-	7,771	-
Cash flows from investing activities:				
Interest on investments	104	-	104	83
Net increase (decrease) in cash and cash equivalents	(14,709)	(4,496)	(19,205)	31,742
Cash and cash equivalents beginning of year	62,889	81,955	144,844	13,694
Cash and cash equivalents end of year	\$ 48,180	\$ 77,459	\$ 125,639	\$ 45,436

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	School Nutrition	Nonmajor Enterprise Fund	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (221,080)	\$ (4,290)	\$ (225,370)	\$ 19,280
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	29,885	-	29,885	-
Depreciation	18,235	-	18,235	-
Decrease in inventories	1,297	-	1,297	-
Increase in accounts payable	788	-	788	12,379
(Decrease) in salaries and benefits payable	(370)	(206)	(576)	-
Increase in deferred revenue	836	-	836	-
Net cash provided by (used by) operating activities	<u>\$ (170,409)</u>	<u>\$ (4,496)</u>	<u>\$ (174,905)</u>	<u>\$ 31,659</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$29,885 of federal commodities.

See notes to financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

West Marshall Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of State Center, Melbourne, Rhodes, Clemons, St. Anthony and Lamaille, Iowa, and agricultural territory in Marshall County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Marshall Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. West Marshall Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marshall County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Position (previously referred to as net position) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

In addition, the district reports a Proprietary Fund, Internal Service to account for the District's partially self-funded insurance and flexible benefits programs.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Bond Issuance Costs/Premium – The issuance costs paid and premiums received on prior bond issues have been capitalized and are being amortized over the life of the associated bond issues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	5,000
Improvements other than buildings	25,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Intangibles	3-20 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>460,427</u>

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u><u>384,258</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Capital assets being depreciated:				
Buildings	16,742,060	375,752	-	17,117,812
Improvements other than buildings	664,731	-	-	664,731
Furniture and equipment	1,082,021	74,698	51,209	1,105,510
Total capital assets being depreciated	18,488,812	450,450	51,209	18,888,053
Less accumulated depreciation for:				
Buildings	4,002,425	350,351	-	4,352,776
Improvements other than buildings	353,399	27,842	-	381,241
Furniture and equipment	929,538	56,174	51,209	934,503
Total accumulated depreciation	5,285,362	434,367	51,209	5,668,520
Total capital assets being depreciated, net	13,203,450	16,083	-	13,219,533
Governmental activities capital assets, net	\$ 13,328,450	\$ 16,083	\$ -	\$ 13,344,533
Business-type activities:				
Furniture and equipment	\$ 285,602	\$ 20,520	\$ -	\$ 306,122
Less accumulated depreciation	118,439	18,235	-	136,674
Business-type activities capital assets, net	\$ 167,163	\$ 2,285	\$ -	\$ 169,448

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant

\$ 3,999

Transportation

52,175

56,174

Unallocated depreciation

378,193

Total depreciation expense - governmental activities

\$ 434,367

Business-type activities:

Food service operations

\$ 18,235

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 177,500	\$ 112,549	\$ 44,650	\$ 245,399	\$ 72,835
General obligation bonds	4,260,000	-	365,000	3,895,000	295,000
Revenue bonds	5,900,000	-	-	5,900,000	75,000
Net OPEB liability	33,303	86,697	-	120,000	-
Total	<u>\$ 10,370,803</u>	<u>\$ 199,246</u>	<u>\$ 409,650</u>	<u>\$ 10,160,399</u>	<u>\$ 442,835</u>

Early Retirement

The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2013. All eligible certified employees and administrators must have at least ten years of consecutive half-time service to the district and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. All eligible classified employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement benefit for certified employees includes an incentive payment of \$10,000. The payment will be made in one lump sum to a deferred annuity account by the end of July following retirement. The District will also pay a maximum of \$450 per month for the cost of single health insurance until age 65.

The early retirement incentive for administrators consists of paid single health and family dental insurance at District cost until the employee reaches age 65 or otherwise becomes eligible for Medicare. The cost of health insurance paid by the District for administration has no dollar cap.

The early retirement benefit for classified employees includes an incentive payment of \$15,000 to be made in one lump sum to a deferred annuity account by the end of July following retirement.

At June 30, 2013, the District had obligations to 11 participants with a total liability of \$245,399. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$44,650. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated October, 2002		
		Principal	Interest	Total
2014	3.60 %	\$ 135,000	\$ 4,860	\$ 139,860
Year Ending June 30,	Interest Rates	Bond issue dated June, 2010		
		Principal	Interest	Total
2014	2.000 %	\$ 160,000	\$ 141,800	\$ 301,800
2015	2.500	170,000	138,600	308,600
2016	3.000	175,000	134,350	309,350
2017	3.500	180,000	129,100	309,100
2018	3.500	185,000	122,800	307,800
2019-2023	4.000	1,045,000	501,025	1,546,025
2024-2028	4.000	1,265,000	275,225	1,540,225
2029-2030	4.125	580,000	36,094	616,094
		\$ 3,760,000	\$ 1,478,994	\$ 5,238,994
Total		\$ 3,895,000	\$ 1,483,854	\$ 5,378,854

Revenue Bonds

Details of the District's June 30, 2013 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond issue dated January 2010		
		Principal	Interest	Total
2014	3.50 %	\$ 75,000	\$ 246,393	\$ 321,393
2015	3.50	250,000	240,705	490,705
2016	3.50	260,000	231,780	491,780
2017	3.50	270,000	222,505	492,505
2018	3.50	280,000	212,880	492,880
2019-2023	3.70-4.20	1,570,000	893,613	2,463,613
2024-2028	4.30-4.50	1,955,000	522,077	2,477,077
2029-2030	4.75	1,240,000	74,575	1,314,575
		\$ 5,900,000	\$ 2,644,528	\$ 8,544,528

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,900,000 bonds issued in January 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 66 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,544,528. For the current year, no principal was paid on the bonds, interest paid on the bonds totaled \$247,705, and total statewide sales, services and use tax revenues were \$741,620.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2019, any be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$508,900 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the Bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 63 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 145,397
Interest on net OPEB obligation	472
Adjustment to annual required contribution	<u>1,576</u>
Annual OPEB cost	144,293
Contributions made	<u>57,596</u>
Increase in net OPEB obligation	86,697
Net OPEB obligation beginning of year	<u>33,303</u>
Net OPEB obligation end of year	<u>\$ 120,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$57,596 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 72,391	91.0%	\$ 6,792
2011	69,933	87.7%	18,863
2012	72,302	80.0%	33,303
2013	144,293	39.9%	120,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$973,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$973,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,332,000, and the ratio of the UAAL to covered payroll was 41.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over the life of the service group over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$412,483, \$385,990, and \$329,802, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District partially self-funds health insurance benefits for District employees. The District purchased a health plan with deductibles of \$2,000 for individuals and \$4,000 for families while employees see actual deductibles of \$250 and \$500 for single and family policies, respectively. The maximum liability to the district under this arrangement is \$253,500 for the year ended June 30, 2013, and actual payments made totaled \$55,718. The District has not reported any liabilities for incurred but not reported claims required under Financial Accounting and Standards Board Statement Number 5 due to the small size of the plan. Section 509A.15 of the Code of Iowa exempts such small plans from actuarial studies and such claims would be difficult to estimate otherwise.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management (continued)

In addition, West Marshall Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$343,131 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 42,021
Returning dropouts and dropout prevention programs	15,373
Home school assistance program	8,445
Professional development for model core curriculum	5,975
Non-public textbook aid	365
Professional development	<u>101</u>
Total	\$ <u><u>72,280</u></u>

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Required Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 4,677,828	\$ 294,428	\$ 4,972,256	\$ -	\$ 4,819,350	\$ 152,906
Intermediate sources	797	-	797	-	11,000	(10,203)
State sources	4,703,100	3,875	4,706,975	-	4,751,956	(44,981)
Federal sources	168,317	173,835	342,152	-	260,000	82,152
Total revenues	9,550,042	472,138	10,022,180	-	9,842,306	179,874
EXPENDITURES/EXPENSES:						
Instruction	5,064,589	64,260	5,128,849	-	6,100,000	971,151
Support services	3,107,854	9,940	3,117,794	-	3,702,000	584,206
Non-instructional programs	-	417,203	417,203	-	480,000	62,797
Other expenditures	1,448,948	-	1,448,948	-	2,126,996	678,048
Total expenditures/expenses	9,621,391	491,403	10,112,794	-	12,408,996	2,296,202
Excess (deficiency) of revenues over (under) expenditures/ expenses	(71,349)	(19,265)	(90,614)	-	(2,566,690)	2,476,076
Other financing sources, net	3,220	-	3,220	-	-	3,220
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(68,129)	(19,265)	(87,394)	-	(2,566,690)	2,479,296
Balance beginning of year	4,410,704	312,121	4,722,825	-	4,980,190	(257,365)
Balance end of year	\$ 4,342,575	\$ 292,856	\$ 4,635,431	\$ -	\$ 2,413,500	\$ 2,221,931

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 710	\$ 710	0.0%	\$ 2,800	25.4%
2011	July 1, 2009	-	710	710	0.0%	3,040	23.4%
2012	July 1, 2009	-	710	710	0.0%	3,030	23.4%
2013	July 1, 2012	-	973	973	0.0%	2,332	41.7%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 227,900	\$ 133,171	\$ 200,824	\$ 561,895
Receivables:				
Property tax:				
Current year	2,225	-	2,491	4,716
Succeeding year	180,000	-	252,300	432,300
Accrued interest	-	190	-	190
Total assets	<u>\$ 410,125</u>	<u>\$ 133,361</u>	<u>\$ 455,615</u>	<u>\$ 999,101</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 780	\$ -	\$ 780
Deferred revenue:				
Succeeding year property tax	180,000	-	252,300	432,300
Total liabilities	<u>180,000</u>	<u>780</u>	<u>252,300</u>	<u>433,080</u>
Fund balances:				
Restricted for:				
Debt service	-	-	203,315	203,315
Management levy purposes	230,125	-	-	230,125
Student activities	-	132,581	-	132,581
Total fund balances	<u>230,125</u>	<u>132,581</u>	<u>203,315</u>	<u>566,021</u>
Total liabilities and fund balances	<u>\$ 410,125</u>	<u>\$ 133,361</u>	<u>\$ 455,615</u>	<u>\$ 999,101</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax	\$ 170,305	\$ -	\$ 194,620	\$ 364,925
Other	1,016	134,512	823	136,351
Total revenues	<u>171,321</u>	<u>134,512</u>	<u>195,443</u>	<u>501,276</u>
Expenditures:				
Current:				
Instruction	46,273	139,168	-	185,441
Support services:				
Student	81	-	-	81
Administration	2,749	-	9	2,758
Operation and maintenance of plant	80,018	-	-	80,018
Transportation services	7,638	-	-	7,638
Other expenditures:				
Long term debt:				
Principal	-	-	365,000	365,000
Interest and fiscal charges	-	-	408,140	408,140
Total expenditures	<u>136,759</u>	<u>139,168</u>	<u>773,149</u>	<u>1,049,076</u>
Excess (deficiency) of revenues over (under) expenditures	34,562	(4,656)	(577,706)	(547,800)
Other financing sources (uses):				
Interfund transfers in	-	-	384,258	384,258
Net change in fund balances	34,562	(4,656)	(193,448)	(163,542)
Fund balances beginning of year	<u>195,563</u>	<u>137,237</u>	<u>396,763</u>	<u>729,563</u>
Fund balances end of year	<u>\$ 230,125</u>	<u>\$ 132,581</u>	<u>\$ 203,315</u>	<u>\$ 566,021</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,001,005	\$ 53,164	\$ 1,054,169
Receivables:			
Property tax:			
Current year	-	1,004	1,004
Succeeding year	-	81,800	81,800
Due from other governments	198,841	-	198,841
Total assets	<u>\$ 1,199,846</u>	<u>\$ 135,968</u>	<u>\$ 1,335,814</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 3,777	\$ 3,777
Deferred revenue:			
Succeeding year property tax	-	81,800	81,800
Total liabilities	<u>-</u>	<u>85,577</u>	<u>85,577</u>
Fund balances:			
Restricted for:			
Debt service reserve fund	508,900	-	508,900
School infrastructure	690,946	-	690,946
Physical plant and equipment	-	50,391	50,391
Total fund balances	<u>1,199,846</u>	<u>50,391</u>	<u>1,250,237</u>
Total liabilities and fund balances	<u>\$ 1,199,846</u>	<u>\$ 135,968</u>	<u>\$ 1,335,814</u>

See accompanying independent auditor's report.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 741,620	\$ 78,406	\$ -	\$ 820,026
Other	6,502	95	-	6,597
Total revenues	<u>748,122</u>	<u>78,501</u>	<u>-</u>	<u>826,623</u>
Expenditures:				
Support services:				
Administration	-	-	95	95
Other expenditures:				
Facilities acquisition	248,563	84,114	-	332,677
Total expenditures	<u>248,563</u>	<u>84,114</u>	<u>95</u>	<u>332,772</u>
Excess (deficiency) of revenues over (under) expenditures	499,559	(5,613)	(95)	493,851
Other financing sources (uses):				
Intrafund transfers in*	53	-	-	53
Intrafund transfers out*	-	-	(53)	(53)
Interfund transfers out	(384,258)	-	-	(384,258)
Total other financing sources (uses)	<u>(384,205)</u>	<u>-</u>	<u>-</u>	<u>(384,258)</u>
Net change in fund balances	115,354	(5,613)	(148)	109,593
Fund balances beginning of year	<u>1,084,492</u>	<u>56,004</u>	<u>148</u>	<u>1,140,644</u>
Fund balances end of year	<u>\$ 1,199,846</u>	<u>\$ 50,391</u>	<u>\$ -</u>	<u>\$ 1,250,237</u>

See accompanying independent auditor's report.

* These amounts have been removed from the face of the basic financial statements.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
6th Grade Store	\$ 71	\$ -	\$ -	\$ 71
Drama	3,471	1,869	989	4,351
Speech	208	200	120	288
Cross Country	1,406	1,830	1,335	1,901
Elementary Renaissance	895	-	101	794
Spanish Club	244	-	-	244
Athletic Memberships	-	567	567	-
Golf	4,042	1,655	1,736	3,961
Basketball	4,704	12,792	11,480	6,016
Volleyball	1,790	4,793	2,701	3,882
Football	20,183	37,703	53,130	4,756
Baseball	1,555	4,237	5,792	-
Track	1	3,695	3,042	654
Wrestling	1,881	5,031	5,316	1,596
Softball	3,454	5,612	4,377	4,689
FFA	70,805	23,978	19,954	74,829
National Honor Society	575	238	695	118
HS Cheerleaders	2,196	-	184	2,012
Dance Team	1,053	-	224	829
Class of 2012	-	35	-	35
Class of 2013	971	269	1,075	165
Class of 2014	175	2,758	1,703	1,230
Class of 2015	-	50	-	50
MS Student Council	2,805	7,484	7,334	2,955
HS Student Council	1,186	1,307	2,474	19
Interest	140	294	-	434
Annual	10,764	8,016	8,190	10,590
FBLA	582	-	-	582
Ag Day	78	-	-	78
MS Renaissance	1,644	1,120	255	2,509
HS Renaissance	172	582	350	404
FCCLA	186	3,077	2,924	339
Cash on Hand	-	5,320	3,120	2,200
Total	\$ 137,237	\$ 134,512	\$ 139,168	\$ 132,581

See accompanying independent auditor's report.

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WEST MARSHALL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 3,651,461	\$ 3,645,138	\$ 3,376,272	\$ 3,025,310
Tuition	726,391	596,096	557,912	456,314
Other	299,976	371,526	553,278	395,569
Intermediate sources	797	-	5,475	6,780
State sources	4,703,100	4,517,655	4,551,255	3,914,188
Federal sources	168,317	307,408	376,599	739,200
Total revenues	<u>\$ 9,550,042</u>	<u>\$ 9,437,823</u>	<u>\$ 9,420,791</u>	<u>\$ 8,537,361</u>
Expenditures:				
Instruction	\$ 5,064,589	\$ 5,119,015	\$ 5,141,683	\$ 5,100,680
Support services:				
Student	278,416	274,058	315,492	348,493
Instructional staff	263,720	459,795	290,322	215,543
Administration	873,977	886,561	779,883	773,205
Operation and maintenance of plant	1,116,997	912,717	816,477	832,409
Transportation	574,744	561,578	492,356	396,565
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	332,677	1,319,695	7,132,946	1,796,163
Long-term debt:				
Principal	365,000	350,000	320,000	250,000
Interest and fiscal charges	408,140	418,961	428,600	40,295
AEA flowthrough	343,131	350,121	383,743	372,205
Total expenditures	<u>\$ 9,621,391</u>	<u>\$ 10,652,501</u>	<u>\$ 16,101,502</u>	<u>\$ 10,125,558</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005	2004
\$	2,984,118	\$ 2,798,167	\$ 2,849,760	\$ 2,707,089	\$ 2,622,810	\$ 2,445,741
	528,621	451,647	339,047	332,004	230,457	183,515
	330,592	408,071	375,346	319,217	397,914	274,350
	5,700	18,565	-	-	-	-
	4,654,608	4,267,844	4,017,081	3,755,551	3,502,195	3,351,565
	164,927	150,082	131,078	143,735	78,220	108,264
\$	<u>8,668,566</u>	<u>8,094,376</u>	<u>7,712,312</u>	<u>7,257,596</u>	<u>6,831,596</u>	<u>6,363,435</u>
\$	5,182,907	\$ 4,546,804	\$ 4,154,733	\$ 3,813,183	\$ 3,816,595	\$ 3,620,129
	295,192	289,659	298,672	279,759	166,862	248,375
	109,868	186,558	111,777	110,117	179,497	132,999
	760,549	725,556	666,566	580,055	550,338	566,388
	798,197	817,383	615,841	703,672	853,764	674,474
	360,307	408,757	520,035	414,913	443,775	402,116
	-	-	-	-	-	1,827
	253,519	96,529	305,221	36,957	69,659	73,648
	245,000	230,000	225,000	220,000	215,000	160,000
	47,645	54,545	60,732	65,833	71,324	132,680
	325,177	298,826	277,407	254,985	242,842	244,573
\$	<u>8,378,361</u>	<u>7,654,617</u>	<u>7,235,984</u>	<u>6,479,474</u>	<u>6,609,656</u>	<u>6,257,209</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
West Marshall Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Marshall Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Marshall Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Marshall Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Marshall Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Marshall Community School District's Responses to Findings

West Marshall Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Marshall Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Marshall Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 29, 2013

Hunt & Associates, P.C.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Financial Reporting – During the audit, we identified material amounts of receivables and capital assets additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and capital assets additions are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables or capital asset transactions.

Conclusion – Response accepted.

I-B-13 Unauthorized Check Signer – We noted in our testing of the District’s bank records that one account has an unauthorized check signer.

Recommendation – The District should remove this person as an authorized signer as soon as possible to protect the underlying asset and maintain good controls over the bank accounts.

Response – We have removed this person as an authorized check signer for the 2013-14 school year.

Conclusion – Response accepted.

I-C-13 Student Activities – We noted in our testing of fundraising activities in the Special Revenue, Student Activity Fund that a fundraiser reconciliation was prepared for an item we selected for testing, but the reconciliation contained few details concerning items sold and profit percentage.

Recommendation – The District has a requirement that all clubs participating in fundraising activities prepare a reconciliation of revenues to expenditures and other uses and determine that a proper profit margin has been attained and to account for any unused fundraiser inventory. This process protects the underlying assets and ensures that all fundraisers are proper and approved. This requirement should always be enforced by District management and consequences should be enacted for clubs not following the proper procedures.

Response – Enhanced controls are being put in place with additional pre-requisite forms and education of club sponsors, including proper enforcement actions.

Conclusion – Response accepted.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

WEST MARSHALL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,084,492
Revenues:			
Sales tax revenues	\$	618,648	
Interest		6,502	
School infrastructure supplemental amount		122,972	
Transfers from other capital projects funds		53	748,175
Expenditures/transfers out:			
School infrastructure construction		246,878	
Other		1,685	
Transfers to other funds:			
Debt Service Fund		384,258	632,821
Ending balance		\$	<u>1,199,846</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.66234	\$ 384,258